AUDITED FINANCIAL STATEMENTS

THE NORTHERN MICHIGAN UNIVERSITY FOUNDATION

Marquette, Michigan

June 30, 2026

CONTENTS

Independent Auditor's Report…….. Pages 1-2

Statements of Financial Position…….. 3

Statements of Activities……. 4

Statements of Cash Flows…… 5

Notes to Financial Statements…….. 6

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Independent Auditor's Report

To the Board of Directors
The Northern Michigan University Foundation

Opinion

We have audited the financial statements of The Northern Michigan University Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2026 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2026 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
The Northern Michigan University Foundation

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2025 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 4, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Plante & Moran, PLLC

August 27, 2026

THE NORTHERN MICHIGAN UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
(with comparative totals as of June 30, 2025)

	June 30, 2026			
	Without Donor Restrictions	With Donor Restrictions	Total	June 30, 2025 Total
ASSETS:				
Cash - Note B	$ 112,594	$ -	$ 112,594	$ 195,691
Pledges receivable - Note D	-	2,036,684	2,036,684	3,966,251
Other receivable	-	-	-	3,748
Investments - Note F	19,232,572	72,153,881	91,386,453	74,516,596
Prepaid Expenses	103,351	-	103,351	-
Assets held for sale - Note L	-	-	-	1,936,440
Beneficial interest in trusts - Note G	-	3,329,029	3,329,029	3,179,061
Other assets	5,311	377,298	382,609	517,878
Capital assets, net - Note H	1,380,452	-	1,380,452	1,401,479
TOTAL ASSETS	$ 20,834,280	$ 77,896,892	$ 98,731,172	$ 85,717,144
LIABILITIES AND NET ASSETS:				
Liabilities:				
Due to NMU	$ 178,813	$ 677,214	$ 856,027	$ 430,849
Accounts payable	14,868	-	14,868	108,150
Retainage payable	-	-	-	468,988
Other current liability	-	-	-	50,000
Refundable advance - Note E	-	-	-	517,038
Annuities payable - Note G	-	328,365	328,365	341,749
TOTAL LIABILITIES	193,681	1,005,579	1,199,260	1,916,774
Net assets (Note J):				
Without donor restrictions	20,640,599	-	20,640,599	16,529,731
With donor restrictions	-	76,891,313	76,891,313	67,270,639
TOTAL NET ASSETS	20,640,599	76,891,313	97,531,912	83,800,370
TOTAL LIABILITIES AND NET ASSETS	$ 20,834,280	$ 77,896,892	$ 98,731,172	$ 85,717,144

See notes to financial statements.

THE NORTHERN MICHIGAN UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL ACTIVITIES
(with comparative totals as of June 30, 2025)

	Year Ended June 30, 2026			Year Ended
	Without Donor Restrictions	With Donor Restrictions	Total	June 30, 2025 Total
SUPPORT, REVENUE, AND GAINS (LOSSES):				
Contributions	$ 2,258,070	$ 5,053,316	$ 7,311,386	$ 11,013,799
Contributions from NMU	1,062,544	-	1,062,544	1,292,616
Contributions of non-financial assets	-	48,889	48,889	46,160
Contributions of non-financial assets - Services and materials received from NMU	39,910	-	39,910	41,300
Investment income - Note F	3,156,428	8,563,844	11,720,272	7,821,097
Loss on disposition of capital assets	(15,737)	-	(15,737)	(765,084)
Miscellaneous income	1,621	-	1,621	1,442
Net assets released from restrictions:				
Satisfaction of program restrictions	4,045,375	(4,045,375)	-	-
TOTAL SUPPORT, REVENUE, AND GAINS (LOSSES)	10,548,211	9,620,674	20,168,885	19,451,330
EXPENSES:				
Program services:				
Public television	361,198	-	361,198	429,745
Public radio	419,665	-	419,665	405,491
Athletic programs	506,336	-	506,336	172,378
Scholarships	2,001,576	-	2,001,576	1,575,607
Other departments and programs	1,114,296	-	1,114,296	1,165,993
TOTAL PROGRAM SERVICES	4,403,071	-	4,403,071	3,749,214
Supporting services:				
Management and general	1,182,638	-	1,182,638	1,668,257
Fundraising	851,634	-	851,634	800,029
TOTAL SUPPORTING SERVICES	2,034,272	-	2,034,272	2,468,286
TOTAL EXPENSES	6,437,343	-	6,437,343	6,217,500
INCREASE IN NET ASSETS	4,110,868	9,620,674	13,731,542	13,233,830
NET ASSETS, BEGINNING OF YEAR	16,529,731	67,270,639	83,800,370	70,566,540
NET ASSETS, END OF YEAR	$ 20,640,599	$ 76,891,313	$ 97,531,912	$ 83,800,370

See notes to financial statements.

THE NORTHERN MICHIGAN UNIVERSITY FOUNDATION
STATEMENTS OF CASH FLOWS
(with comparative totals as of June 30, 2025)

	Year Ended	
	June 30, 2026	June 30, 2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 13,731,542	$ 13,233,830
Adjustments to reconcile increase in net assets to		
net cash provided (used) by operating activities:		
Depreciation and amortization	24,983	114,249
Loss on impairment of capital assets	-	751,261
Loss on disposition of capital assets	15,737	13,823
Unrealized gain on investments	(7,222,464)	(5,627,584)
Realized gain on sale of investments	(2,198,146)	(409,898)
Noncash contributions	(1,261,070)	(432,545)
Revenue recognized from refunable advance	-	(2,634,535)
Cash contributions restricted for endow ment	(1,613,019)	(3,969,325)
Changes in operating assets and liabilities w hich provided (used) cash:		
Pledges receivable	1,929,567	353,076
Other receivable	3,748	770,972
Other assets	45,002	(32,737)
Asset retirement obligation	-	(1,674,561)
Due to NMU	425,178	73,960
Accounts payable	(93,282)	(126,474)
Retainage payable	(468,988)	(419,142)
Refundable advance	(517,038)	-
Other current liability	(50,000)	-
Annuities payable	15,353	(736)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,767,103	(16,366)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	34,069,759	49,815,866
Purchases of investments	(40,421,352)	(53,483,760)
Purchases of capital assets	(3,956)	(744,691)
Proceeds from sales of capital assets	4,146	-
Proceeds from sales of assets held for sale	1,936,440	567,728
Costs to sell capital assets	(19,519)	(31,273)
NET CASH USED BY INVESTING ACTIVITIES	(4,434,482)	(3,876,130)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash contributions restricted for endow ment	1,613,019	3,969,325
Payments to charitable gift annuitants	(28,737)	(30,961)
Distributions from charitable trusts restricted for endow ment	-	437
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	1,584,282	3,938,801
NET INCREASE (DECREASE) IN CASH	(83,097)	46,305
CASH, BEGINNING OF YEAR	195,691	149,386
CASH, END OF YEAR	$ 112,594	$ 195,691
NON-CASH ITEMS:		
Contributions of non-financial assets	$ 48,889	$ 46,160
Contributions of non-financial assets - Services and materials received from NMU	39,910	41,300
TOTAL NON-CASH ITEMS	$ 88,799	$ 87,460

See notes to financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Northern Michigan University Foundation (Foundation) is a nonprofit corporation organized under the provisions of the Michigan General Corporation Act (Act 327 P.A. of 1931), as amended, for the purpose of receiving funds for the sole benefit of Northern Michigan University (NMU). The Foundation has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, as an organization other than a private foundation. Contributions to the Foundation qualify as charitable contributions under the Internal Revenue Code.

The Foundation is governed by a Board of Trustees. Additional trustees may be elected by the board at any time. Included as ex officio trustees are at least two, but no more than four members of the NMU Board of Trustees, as designated by the Chairperson of the Board of Trustees; the NMU President; the NMU Vice President for Finance and Administration; the Chief Executive Officer; the President of the NMU Alumni Association; two members of the faculty or staff of NMU designated by the President of the Foundation Board of Trustees in consultation with the President of NMU; and, if not otherwise elected a member of the Board of Trustees, the immediate past President of the Foundation Board of Trustees.

Display of Net Assets by Class

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the FASB Accounting Standards Codification (ASC) Topic 958. Accordingly, the net assets are reported in the following classes:

Net Assets Without Donor Restrictions – Net assets without donor restrictions are those amounts not subject to usage restrictions based on donor-imposed requirements. Board-designated and appropriated amounts are reported here. All funds not classified as net assets with donor restrictions are recorded as net assets without donor restrictions.

Net Assets With Donor Restrictions – Net assets with donor restrictions are those amounts subject to usage restrictions based on donor-imposed requirements. Donor-imposed requirements may either be temporary or permanent or based on a specific use. They consist of scholarship funds, department and program funds, and the unexpended income from endowments.

Method of Accounting

The Foundation maintains its accounting records on the accrual basis of accounting.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Foundation considers cash and cash equivalents to include demand deposits, money market accounts, and other assets of high liquidity except those amounts designated and classified as investments. Cash equivalents are stated at cost, which approximates market value.

Assets Held for Sale

During the year ended June 30, 2024, the Foundation approved a plan to sell the former Marquette General Hospital site. During previous years, portions of the site that were available for sale in its present condition had been reclassified from capital assets, net to assets held for sale. See Note L for additional information.

Life Insurance Cash Surrender Value

The Foundation is the owner of certain life insurance policies on various donors' lives who have named the Foundation as a beneficiary. The cash surrender value of the life insurance policies as of June 30, 2026, was $377,298 and is included in other assets. The death benefit value of the life insurance policies as of June 30, 2026, was $931,092.

Refundable Advance

The Foundation received a refundable advance for a grant that is deemed revocable until the grant conditions are met. The funds were intended to be used to pay demolition costs associated with the development project disclosed in Note L. The remaining unearned advance was returned to the State of Michigan during the year ended June 30, 2026.

Annuities Payable

The Foundation has recognized as cash and investments amounts received under charitable remainder annuity trust agreements, whereby the Foundation is named as the trustee and designated remainder beneficiary. Under these agreements, the amounts donated and the earnings thereon will be used to provide payments of predetermined amounts of money to the donors for their remaining lives. The present values of future annuity payments, based on the life expectancy of the grantors, are recorded as a liability.

The excess of the trust assets over this liability is recorded as net assets with donor restrictions. In subsequent years, adjustments to the annuity liability to reflect changes in life expectancy and other actuarial assumptions are recognized in the Statement of Activities as present value adjustments to annuities payable. The investment of funds and payments to donors under these agreements are being administered in a fiduciary capacity.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Unconditional promises to give cash and other assets to the Foundation are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

Contributions of Non-financial Assets

Included as support, revenue, and gains in the Statement of Activities are contributions of non-financial assets. These gifts typically represent donations of personal property to NMU and are recognized as support, revenue, and gains and as program services expenses of the Foundation. These gifts are typically recognized as program services expenses of the Foundation since the property is not kept by the Foundation but is provided to various NMU departments for their use. The contributions of non-financial assets are recorded at the estimated fair market values as indicated by the donors or at the estimated fair market value based on manufacturer or dealer quotes.

Contributed professional services are recognized if the services received **a)** create or enhance non-financial assets or **b)** require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. These services are recognized as support, revenue, and gains and expenses and are valued at the estimated fair market value for the services as provided by the donor.

Periodic services of volunteers in concentrated fundraising drives or program activities do not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing program services and other activities have been summarized on a functional basis in Note N. Based on estimates made by the Foundation's management, certain costs have been allocated among the program and supporting services benefited. Salaries and related expenses are allocated based on time and effort. Although methods of allocation are applied consistently and are considered appropriate, other methods could be used that would produce different amounts.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period.

Comparative Totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2025, from which the summarized information was derived.

Administration Fees

The Foundation charges an administration fee of up to 1.5 percent of the endowment assets annually for managing the endowment funds. A one-time fee of up to 1.5 percent is charged on expendable gifts. These fees are utilized to cover certain operating expenses of the Foundation.

Fair Value Option

The Foundation has adopted a standard permitting the measurement of many financial instruments and certain other items at fair value. The fair value option may be applied instrument by instrument, is irrevocable, and is applied only to entire instruments and not to a portion of instruments. The Foundation has elected the fair value option for liabilities on annuity contracts and trusts.

Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, August 27, 2026, which is the date the financial statements were available to be issued.

NOTE B - CASH

The Foundation maintains its primary cash balances at one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At June 30, 2026, the Foundation's cash balances are as follows:

Insured (FDIC)	$ 112,208
Uninsured	-
Total deposits per bank	112,208
Net reconciling items	386
Total carrying amount	$ 112,594

NOTE C - AVAILABILITY AND LIQUIDITY

The Foundation's financial assets available for general expenditure within one year of June 30, 2025, are as follows:

Cash	$ 112,594
Pledges receivable	730
Short-term investments	6,603,401
	$ 6,716,725

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of June 30, 2026. Pledges receivable are subject to implied time restrictions, but the amount reported above is expected to be collected within one year.

NOTE C - AVAILABILITY AND LIQUIDITY (Continued)

The Foundation's endowment consists of donor-restricted endowment funds and funds designated by the Board of Trustees or management to function as endowments. Income from donor-restricted endowment funds is restricted for specific purposes, and, therefore, is not available for general expenditure. As described in Note F, the board-designated endowment funds have a spending rate of 4.00 percent. Within one year of June 30, 2026, appropriations of $144,237 from the board-designated endowment funds will be available for use.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash above daily requirements in short-term and long-term investments. Although the Foundation does not intend to spend from its board-designated endowment funds other than amounts appropriated for NMU support, amounts from its board-designated endowment funds could be made available, if necessary. However, both the donor-restricted endowment funds and board-designated endowment funds contain investments with lock-up provisions that would reduce the total investments that could be made available. See Note F for disclosures about investments. The Foundation also realizes there could be unanticipated liquidity needs.

NOTE D - PLEDGES RECEIVABLE

Unconditional promises to give cash and other assets are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges receivable are reported at fair value on the date the promise is received and discounted to present value using a blended rate of 3.95 percent. The discount as of June 30, 2026, was $151,740. The allowance for uncollectible pledges was determined by management using historical trends for collections.

Pledges receivable are expected to be realized in the following periods:

In one year or less	$ 518,220
Between one year and five years	1,538,873
Total pledges receivable	2,057,093
Allowance for uncollectible pledges	(20,409)
Net pledges receivable	$ 2,036,684

Pledges receivable as of June 30, 2026, have the following restrictions:

Departmental programs and activities	$ 637,503
Endowed deanship	462,723
Capital projects	474,850
Scholarship funds	448,740
Public radio and television	12,868
Net pledges receivable	$ 2,036,684

NOTE D - PLEDGES RECEIVABLE (Continued)

As of June 30, 2026, the Foundation also received conditional promises to give totaling $20,166,803. The conditional promises received consist primarily of bequests which, if received, would generally be restricted for specific purposes stipulated by the donors, including scholarships, faculty support, or general operating support for a particular department or division of NMU. Because these promises are considered conditional, they are not included in the financial statement amounts.

NOTE E - REFUNDABLE ADVANCE

The Foundation received a $4,000,000 advance on a State Land Bank Authority grant through the Michigan Department of Labor and Economic Opportunity in a prior year. The award granted the Foundation funding to demolish buildings associated with the development project described in Note L. The agreement has barriers that must be overcome for revenue recognition and represents a conditional grant. As of June 30, 2025, the remaining outstanding refundable advance totaled $517,878 and all demolition activities were complete. During the year ended June 30, 2026, the remaining refundable advance of $517,878 was returned to the State of Michigan.

NOTE F - INVESTMENTS

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at quoted fair value. Both realized and unrealized gains and losses are included in investment income on the Statement of Activities. Investments acquired by gift or bequest are recorded at the market value on the date of donation and thereafter carried in accordance with the above provision.

Investment income for the year ended June 30, 2026, consists of the following:

Realized gain on sale of investments	$ 2,198,146
Unrealized gain on investments	7,222,464
Interest and dividends	2,440,696
Management fee	(141,034)
Total investment income	$ 11,720,272

Resources from the net assets with and without donor restrictions have been pooled and invested through a national financial institution. Investment guidelines are established for each investment manager, consistent with their investment style, and the Foundation's return, risk, and liquidity objectives. Benchmarks are developed as a means of independently determining whether investment objectives are being achieved. Each manager has specific performance standards based on their investment style, which incorporate return, risk, and time horizon. Conformance to these standards and policies is closely monitored and evaluated in an unbiased analysis each quarter.

NOTE F - INVESTMENTS (Continued)

The primary objective of the Holding (Non-endowed) Pool is to provide stability of principal and a total return that maintains the purchasing power of the assets. Funds need to be available on demand while focusing on a total return that keeps pace with inflation.

The primary objective of the Charitable Gift Annuity Pool is to provide income for annuity payments and to create sufficient long-term growth of principal to ensure a residuum of assets upon the passing of the annuitants. Moreover, emphasis shall be placed on maintaining “real” growth of assets, net of inflation, annuity payments, and fees.

The primary objective of the Endowment Pool is to provide for long-term growth of principal through capital appreciation, income, and donor development and gifts, without undue exposure to risk. The focus will be on consistent, long-term appreciation, with income generation as a secondary objective. Moreover, emphasis shall be placed on maintaining “real” growth of assets, net of inflation, spending, and fees.

The purpose of the Foundation’s policy is to provide a disciplined approach to moving money from the endowment to fulfill donor intentions on a timely, predictable, and consistent basis while preserving intergenerational equity.

The Foundation is committed to administering and investing endowment funds in compliance with all relevant Foundation bylaws, organizational concerns, industry standards, and federal and state laws and regulations, including the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Gains and losses, as well as investment interest earned on endowment funds, have been allocated based on the net asset balance percentage participation less an operating fee. The net asset balance percentage participation is recalculated every month with investment earnings, gains, and losses allocated to the respective endowment funds.

The Foundation will calculate funds available for spending on funds that reach endowed status as of June 30 of the previous year. Endowed status is defined as $25,000 for discretionary accounts, $100,000 for scholarship accounts, and $500,000 for professorship accounts.

The annual distribution is currently 3.85 percent of a 20-quarter rolling average of the endowment’s market value (MV), but only to the extent that such distribution does not cause the value of the endowment fund to fall below 95 percent of the historic gift value (HGV) of the fund on the annual valuation date. No distributions will be made from an endowment whose MV on the annual valuation date is less than 85 percent of the HGV.

NOTE F - INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that an issuer of or counterparty to an investment will not fulfill its obligations. The Foundation's investment policy does not limit exposure to credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy does not limit exposure to fair value loss by limiting investments by maturity.

Concentration of Credit Risk

The Foundation's current asset allocation policy was established to meet the Foundation's financial needs and overall investment objectives. Asset classes are selected based on their expected long-term returns, individual reward and risk characteristics, correlation with other asset classes, and manager roles. Conformance with statutory investment guidelines is also considered.

The Foundation's Finance Committee (Committee) established an allocation range for each asset class in recognition of the need to vary exposure within and among different asset classes based on investment opportunities and changing capital market conditions. The Committee selected the target allocation for each asset class based on the Foundation's current investments and present market conditions. The Committee intends to review the allocation targets at least annually, focusing on changes in the financial needs, investment objectives, and asset class performance.

Short-term Asset Allocation Targets for the Holding (Non-endowed) Pool
Target 40% of Total Holding (Non-endowed) Pool

	Minimum	Target	Maximum
Cash and cash equivalents	0%	20%	50%
Global equity	0%	20%	50%
Fixed income	40%	60%	100%

NOTE F - INVESTMENTS (Continued)

Intermediate-term Asset Allocation Targets for the Holding (Non-endowed) Pool Target 60% of Total Holding (Non-endowed) Pool

	Minimum	Target	Maximum
Cash and cash equivalents	0%	5%	10%
Global equity	35%	50%	80%
Fixed income	5%	20%	35%
Liquid alternative investments (a)	5%	25%	40%

(a) Includes but is not limited to Global/Flexible Managers, Real Estate, Commodities, and Managed Futures. The Committee acknowledges that other alternative asset classes are available and is not limited to just these investment opportunities. It intends to periodically evaluate the merits of adding new asset classes. The Committee also recognizes the benefits of diversifying manager roles within a given asset class and intends to periodically evaluate this decision as well as the active versus passive manager decision.

Asset Allocation Targets for the Charitable Gift Annuity Pool

	Minimum	Target	Maximum
Cash and cash equivalents	0%	5%	20%
Global equity	25%	45%	70%
Fixed income	15%	20%	50%
Liquid alternative investments (b)	5%	30%	45%

(b) Includes but is not limited to Global/Flexible Managers, Absolute Return Funds, Real Estate, Commodities, and Managed Futures. The Committee acknowledges that other alternative asset classes are available and is not limited to just these investment opportunities. It intends to periodically evaluate the merits of adding new asset classes. The Committee also recognizes the benefits of diversifying manager roles within a given asset class and intends to periodically evaluate this decision as well as the active versus passive manager decision.

Asset Allocation Targets for the Endowment Pool

	Minimum	Target	Maximum
Cash and cash equivalents	0%	0%	10%
Global equity	30%	50%	80%
Fixed income	10%	15%	50%
Alternative investments (c)	10%	35%	50%

(c) Includes but is not limited to Global/Flexible Managers, Real Estate, Commodities, Managed Futures, Private Equity, and Hedge Funds. The Committee acknowledges that other alternative asset classes are available and is not limited to just these investment opportunities. It intends to periodically evaluate the merits of adding new asset classes. The Committee also recognizes the benefits of diversifying manager roles within a given asset class and intends to periodically evaluate this decision as well as the active versus passive manager decision.

NOTE F - INVESTMENTS (Continued)

The investments shall be reviewed at least quarterly to ensure the assets are within these ranges.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. As of June 30, 2026, the Foundation's assets are held in a combination of mutual funds and exchange-traded funds (ETFs), hedge funds, private and distressed credit, and private equity programs.

NOTE G - FAIR VALUE

The Foundation groups its investments, contributions receivable from remainder trusts, annuity payment liabilities, and split-interest agreements at fair value into three levels, based on the markets in which the investments are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets, and money market funds.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates that market participants would use in pricing the asset or liability.

NOTE G - FAIR VALUE (Continued)

Assets and liabilities measured at fair value as of June 30, 2026, are as follows:

	Balance as of June 30, 2026	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Mutual and ETF funds:				
Index funds	$ 13,967,329	$ 13,967,329	$ -	$ -
Balanced funds	7,023,883	7,023,883	-	-
Growth funds	27,140,231	27,140,231	-	-
Fixed income funds	13,679,358	13,679,358	-	-
Total mutual and ETF funds	61,810,801	61,810,801	-	-
Investments measured at net asset value:				
Private equity funds (a)	2,467,454	-	-	-
Hedge funds (b)	3,570,290	-	-	-
Private and distressed credit (c)	2,405,002	-	-	-
Separately managed accounts (d)	19,526,857	-	-	-
Total investments measured at net asset value	27,969,603	-	-	-
Cash equivalents	1,606,049	1,606,049	-	-
Held by third party	3,329,029	-	-	3,329,029
Total assets	$ 94,715,482	$ 63,416,850	$ -	$ 3,329,029
Liabilities - Liabilities on annuity contracts and trusts	$ 328,365	$ -	$ -	$ 328,365

(a) Private equity funds - This category includes investments in private equity funds which, in turn, make investments in equity securities, warrants, or other options that are generally not actively traded at the time of investment. The funds may also invest in operating companies as direct investments or co-investment opportunities. The funds are ineligible for redemption.

(b) Hedge funds - This category includes investments in hedge funds which invest primarily in other hedge funds, limited partnerships, and investment companies. Management of these funds employs a variety of strategies and can shift investments based on market, economic, political, and government-driven events. These investments can only be redeemed on a quarterly or semi-annual basis and require notice periods varying from 20 calendar days plus 5 business days to 90 calendar days to 5 business days. Certain funds are subject to gate provisions which could limit the amount of withdrawals.

(c) Private and distressed credit – This category includes investments in private and distressed credit funds. These funds typically negotiate loans directly with companies as an alternative to traditional bank financing or public debt markets. The investments are often illiquid and may not be eligible for redemption, or may only permit redemptions on a quarterly or semi-annual basis, typically requiring up to 90 days' notice. Certain funds may impose gate and lock-up provisions, which can limit or delay the amount that can be withdrawn.

(d) Separately managed accounts - This category includes portfolios of stocks, bonds, and other assets that are closely matched to specific financial goals and risk tolerance and managed by professional portfolio managers. These investments can be redeemed, and there are no restrictions.

Held by third party assets categorized as Level 3 consists of a perpetual trust, in which the Foundation is the 100 percent beneficiary of future distributions and one irrevocable charitable remainder trusts in which the Foundation will receive a remainder portion of the trust assets once there are no longer any individual beneficiaries and the trusts are liquidated. As of June 30, 2026, the Foundation estimates the value of the perpetual trust to be $1,613,834 and the irrevocable charitable remainder trusts to be $1,715,195.

NOTE G - FAIR VALUE (Continued)

Liabilities on annuity contracts and trusts characterized as Level 3 liabilities consist primarily of charitable gift annuity agreements. The agreements require payments during the life of the annuitant at various rates up to 7.5 percent of the principal amounts. The Foundation estimates the fair value of these contributions based on the estimated rate of return, anticipated future payments to be made to donors during the donors' lives, the donors' life expectancies, and an assumed discount rate between 0.6 percent and 5.6 percent. Changes in the value of annuity obligations payable are reported in the Statement of Activities.

Investments in Entities that Calculate Net Asset Value Per Share

The Foundation holds shares or interests in investment companies at year-end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

As of June 30, 2026, the fair value and unfunded commitments totaled $27,969,603 and $2,691,195, respectively.

NOTE H - PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost when purchased and at estimated fair market value when donated. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	40 years
Land improvements	20 to 50 years
Equipment and furniture	7 years
Computer equipment and software	3 years
Development project	2 years

Depreciation expense for the year ended June 30, 2026, amounted to $24,983.

NOTE H - PROPERTY AND EQUIPMENT (Continued)

The following table summarizes, by major class of asset, the recorded costs and accumulated depreciation of capital assets as of June 30, 2026:

Depreciable assets:		
Buildings	$ 429,277	
Land improvements	401,497	
Equipment and furniture	154,702	
Computer equipment	6,193	
Total depreciable assets		$ 991,669
Nondepreciable assets:		
Land	$ 828,350	
Artwork	19,059	
Total nondepreciable assets		847,409
Total depreciable and nondepreciable assets		1,839,078
Less accumulated depreciation		(458,626)
Total capital assets, net		$ 1,380,452

NOTE I - ENDOWMENT

The Foundation's endowment consists of donor-restricted endowment funds and funds designated by the Board of Trustees or management to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees or management to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time-restricted until the Board of Trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Foundation's Board of Trustees interprets SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of **a)** the original value of initial and subsequent gift amounts donated to the fund and **b)** any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

NOTE I - ENDOWMENT (Continued)

In accordance with SPMIFA, the Foundation considers the following factors to determine whether to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation (depreciation) of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Following is a summary of the changes in the endowment net assets for the year ended June 30, 2026:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 6,163,036	$ 55,044,881	$ 61,207,917
Investment return, net	1,102,753	7,581,363	8,684,116
Contributions		3,330,387	3,330,387
Additions to board-designated funds	1,886,259		1,886,259
Amounts appropriated for expenditure	(78,450)	(1,544,160)	(1,622,610)
Other changes	-	(25,500)	(25,500)
Endowment net assets, end of year	$ 9,073,598	$ 64,386,971	$ 73,460,569

Following is a summary of the make-up of endowment net assets as of June 30, 2026:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowments	$ -	$ 64,386,971	$ 64,386,971
Board-designated endowments	9,073,598	-	9,073,598
Total endowment net assets	$ 9,073,598	$ 64,386,971	$ 73,460,569

NOTE I - ENDOWMENT (Continued)

Return Objectives and Risk Parameters

The Foundation has adopted investment and distribution policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets, which includes those assets of donor-restricted funds that must be held in perpetuity. Under these policies, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of established indexes for differing investment classes while assuming a moderate level of investment risk. The investment objective of the Endowment Pool is to earn an average annual return of Consumer Price Index (CPI) plus 4 percent over periods greater than five years. This corresponds to a 4 percent real rate of return. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve long-term return objectives within prudent risk constraints.

Endowment Distribution Policy

The Foundation’s current policy is to appropriate for distribution each year 3.85 percent of its endowment fund’s average fair value over the prior 5 years through the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected rate of return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow an average of 4 percent annually. The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater unless otherwise precluded by donor intent or relevant laws and regulations.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. The Foundation had no such funds as of June 30, 2026.

NOTE J - NET ASSETS

Net assets consist of the following as of June 30, 2026:

Without donor restrictions:		
Board-designated	$ 9,122,924	
Foundation operations	7,292,322	
Development project	4,104,780	
Departmental programs and activities	-	
Scholarship funds	120,573	
Total without donor restrictions		$ 20,640,599
With donor restrictions:		
Scholarship funds	$ 44,749,659	
Departmental programs and activities	17,750,414	
Pledges receivable	2,036,684	
Charitable trusts	3,329,029	
Professorships and deanships	3,226,791	
DeVos Art Museum	2,627,040	
Beaumier Heritage Center	1,463,374	
Capital projects	1,603,499	
Public radio and television	104,823	
Total with donor restrictions		76,891,313
Total net assets		$ 97,531,912

NOTE K - CONTRIBUTIONS OF NON-FINANCIAL ASSETS

Contributions of non-financial assets recognized by the Foundation for the year ended June 30, 2026, are:

Equipment, materials and supplies	$ 15,889
Professional and other services	39,910
Artwork	33,000
Total contributions of non-financial assets	$ 88,799

Professional and other services are valued based on current rates for similar services.

Artwork, equipment, materials, and supplies are utilized primarily in the operations of the Foundation or NMU. The Foundation values these contributions based on appraisals or estimates of what would be recorded for purchasing items.

NOTE K - CONTRIBUTIONS OF NON-FINANCIAL ASSETS (Continued)

The Foundation and NMU have a written agreement to document its continuing mutually beneficial relationship wherein NMU provides administrative, operational, and other services and materials for the Foundation in consideration of the funding and services provided by the Foundation. Foundation personnel are included in the services supported by NMU. These personnel are employees of NMU. A majority of these employees are covered by a union contract as employees of NMU. Employee salaries, wages, and all benefits (pension plan, compensated absences, etc.) are the responsibility of NMU. The costs of services are recorded as fundraising or management and general expenses and are included under support, revenue, and gains as a contribution from NMU.

The following table summarizes the recorded costs for non-financial asset services and materials as of June 30, 2026:

	Management and General	Fundraising	Total
Administrative services	$ 29,073	$ -	$ 29,073
Fundraising services	-	10,837	10,837
	$ 29,073	$ 10,837	$ 39,910

Unless otherwise noted, contributed non-financial assets did not have donor-imposed restrictions.

NOTE L - DEVELOPMENT PROJECT

On September 28, 2021, the Foundation entered into a purchase contract to acquire the former Marquette General Hospital site for $1. After completing due diligence, the Foundation closed on the contract on September 22, 2022. The former Marquette General Hospital site is an approximately 17-acre property adjacent to NMU's campus and included approximately 812,000 square feet of functionally obsolete structures. The Foundation's efforts focused on aligning resources for the demolition of blighted and obsolete structures and preparing the site for redevelopment. The purchase contract included a provision that allowed other organizations to continue to occupy a portion of the former hospital site through September 21, 2024.

The development project was substantially completed during the fiscal year ended June 30, 2025, with the demolition of the former Marquette General Hospital structures completed and the site substantially prepared for redevelopment. Demolition was divided into three phases. During phase 1, all buildings except those leased to other organizations were demolished. During phase 2, the leased buildings were demolished. During phase 3, the parking structure was demolished. All demolition activities were completed as of June 30, 2025.

NOTE L - DEVELOPMENT PROJECT (Continued)

Phase 1 demolition activities were funded by the City of Marquette through a Community Development Block Grant between the Michigan Strategic Fund and the City of Marquette and administered by the Michigan Economic Development Corporation. The grant provided funding of $7,985,735 for blight elimination and related activities, including environmental review. The Foundation acted as an agent in the transaction. There was no activity related to this grant during the year ended June 30, 2026.

All demolition costs not covered by the Community Development Block Grant were funded by a grant between the Foundation and the State Land Bank Authority. The grant provided funding of up to $8,000,000. The Foundation received a $4,000,000 initial advance, of which $517,038 was unearned and was returned to the State of Michigan during the year ended June 30, 2026.

On March 1, 2024, the Foundation entered into an agreement to sell the former Hospital site to a private developer for approximately $2.5 million. The sale was consummated in phases. During the year ended June 30, 2025, the Foundation closed on the sale of a portion of the site for net proceeds of $564,108 and during the year ended June 30, 2026, the Foundation closed on the remaining portion of the site for net proceeds of $1,936,440, which approximated the amount of assets held for sale as of June 30, 2025.

The development project was significantly completed during fiscal year 2025, including completion of all demolition activities and the substantial preparation of the site for redevelopment. The remaining closing transactions associated with the sale of the former Marquette General Hospital site were finalized during fiscal year 2026.

NOTE M - RELATED PARTY TRANSACTIONS

Golf Course Lease

In December 2008, the Foundation received a gift of a golf course including the land and its land improvements, several maintenance buildings, a clubhouse, a rental residence, and building contents of equipment and furniture. The appraised value at the time received was $1,625,000. The Foundation has entered into a contract with NMU to lease it for a total fee of $1 per year for 50 years. The property is currently open and operating as the NMU Golf Course. It is open to the public and will provide both education opportunities for the students of NMU and a local recreation area.

NOTE M - RELATED PARTY TRANSACTIONS (Continued)

As of June 30, 2026, the contribution value is as follows:

Depreciable assets:	
Buildings	$ 429,277
Land improvements	401,497
Equipment and furniture	110,371
Computer equipment	4,915
Total depreciable assets	946,060
Land (nondepreciable)	828,350
Total depreciable and nondepreciable assets	1,774,410
Less accumulated depreciation	(431,424)
Total golf course capital assets, net	$ 1,342,986

The estimated future lease payments are approximately $1 a year. The lease has 32 years remaining. NMU or the Foundation may terminate the lease upon one year's advance notice with or without cause.

NOTE N - FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by natural classification for the year ended June 30, 2026, are summarized as follows:

	Supporting Services		Program Services		
	Management and General	Fundraising	Program Support	Scholarships	Total
Compensation and benefits	$ 728,880	$ 643,984	$ -	$ -	$ 1,372,864
Professional services	74,740	12,423	-	-	87,163
IT and accounting	203,462	-	-	-	203,462
Travel	7,096	15,179	-	-	22,275
Office support	144,580	180,048	-	-	324,628
Development project	23,880	-	-	-	23,880
Program support	-	-	2,401,495	-	2,401,495
Scholarships	-	-	-	2,001,576	2,001,576
	$ 1,182,638	$ 851,634	$ 2,401,495	$ 2,001,576	$ 6,437,343